Alternative Service Delivery Project

Research Bulletin

Building Better Partnerships:

Improving Relations Between Governments and Non-Profits

The Canada West Foundation's Alternative Service Delivery Project (ASDP) was initiated to increase understanding of, and stimulate debate about, Canada's non-profit sector, its relations with the state, and its role in the delivery of social services.

Drawing on data collected during telephone interviews and roundtable discussions, this research bulletin outlines seven public policy recommendations for improving relations between governments and the non-profit social service agencies they fund.

The Alternative Service Delivery Project is one of a number of research projects funded by the Kahanoff Foundation, and collectively known as the Non-Profit Sector Research Initiative. The Initiative was established by the Kahanoff Foundation to promote research and scholarship on non-profit sector issues and to broaden the formal body of knowledge on the non-profit sector. The Initiative works to increase understanding of the role that non-profit organizations play in civil society and to inform relevant public policy.

I. Introduction

Partnerships between governments and non-profit social service agencies are supposed to be a mutually beneficial means of delivering services to Canadians in need.[1] Governments gain access to the comparative advantages of non-profits (see Box 1 on page 2) and non-profits receive government funding to help them carry out their missions. The flow of tax dollars into the non-profit sector also facilitates the generation of positive social by-products such as volunteer activity and social capital.[2]

A series of telephone interviews and roundtable discussions conducted as part of the Canada West Foundation's Alternative Service Delivery Project (ASDP), however, have revealed that the partnerships are not functioning as well as they should.[3] Nagging problems characterize relations between governments and non-profit social service agencies. These problems reduce the degree

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Box 1

The Main Comparative Advantages of Non-Profit Social Service Agencies

The following is a list of service delivery advantages commonly associated with non-profit social service organizations. The degree to which agencies exhibit these traits varies on a case by case basis. Non-profit social services agencies are:

- flexible
- aware of local circumstances
- innovative
- responsive to client/community needs
- cost-effective and resourceful
- able to attract staff committed to a cause/helping others
- able to take advantage of volunteer labour
- able to garner community support (donations)
- trusted by their clients/community

For a more thorough discussion of the unique qualities of non-profit social service agencies, see Susan McFarlane and Robert Roach, *Great Expectations: The Ideal Characteristics of Non-Profits*, Alternative Service Delivery Project Research Bulletin #3, June 1999. Copies are available from the Canada West Foundation and may be downloaded free-of-charge from our web site (www.cwf.ca).

The public policy recommendations in this report are focused on the mechanics of the relationship between the state and non-profit social service providers rather than on the appropriate level of resources the state should be devoting to meet social needs.

to which the comparative advantages of non-profits come into play and threaten the long-term health of Canada's non-profit sector.

Based on feedback from non-profit social service agency staff, this report suggests ways that relations between governments and non-profit social service agencies can be improved. The recommendations focus on the ***mechanics of the relationships*** rather than on the ***amount of money*** governments should spend on social services. Although the latter issue is of critical importance and a key variable in the relationship between the state and non-profit social service sector, it tends to dominate debate and hinder discussion of other aspects of the relationship.

It is also important to note that the recommendations are based on two key assumptions:

(1) Governments should seek to maximize the comparative advantages of non-profit social service agencies (see Box 1). The findings of the Alternative Service Delivery Project indicate that non-profit social service agencies possess the traits that, in theory, give them a comparative advantage over other service providers. It was also found that government funding arrangements often ***hinder*** the expression of these traits. Governments are not, in other words, taking full advantage of the unique qualities that make non-profits an attractive alternative to direct delivery by the state

(2) An independent non-profit sector that is distinct from the state is an important component of a healthy liberal democracy. Governments have an interest in allowing non-profits the autonomy they need to pursue their organizational goals, advocate on behalf of their clients and social change, and engender citizen action. It is a matter of debate whether or not governments should be providing tax dollars to support these activities, but it is safe to say that they should not be undermining them.

It is assumed, in other words, that non-profits should be seen as more than mere arms of the state and should be free to chart their own course, keeping in mind the state's legitimate interest in setting policy and ensuring accountability. This will allow the state to benefit from the unique qualities of non-profits and help ensure that the non-profit sector remains an independent and vibrant component of Canadian society.

It is important to note that the list of recommendations is by no means the final word on the subject. It is, rather, a starting point rooted in long-standing concerns of non-profit agency staff anxious to build a better system of social services.

II. The Challenge

The policy options outlined in this report are not meant to be an exhaustive list; they are meant to be a starting point for discussion and action.

Neither the problems nor the solutions discussed in this bulletin are new, but the time is right for governments to rise to the challenge and improve their partnerships with non-profit social service agencies and the non-profit sector in general. Governments must take the lead because they are the dominant partner in the relationship; they determine the policies and control the resources that will make change happen. This does not mean that non-profits should be passive participants in the process; they too need to rise to the challenge, work with government, and find ways to voice their concerns in a collective fashion.

The need for reform, moreover, does not imply that all aspects of the relationship between non-profit social service agencies and the governments that fund them need to be fixed; there numerous examples of positive interaction. Nonetheless, we owe it to both the people who need the services and the taxpayers that pay for them to try to fix the problems that do exist and build a better partnership.

III. A One-Sided Partnership

Although the situation of each non-profit we spoke with is unique, a number of common issues emerged that highlight the need for reform and point to possible solutions. It is important to note that the level of frustration varies both within jurisdictions and across them,

and is influenced by changes in the policy environment (e.g., the election of a new government). However, even if the problems outlined in Box 2 do not characterize ***all*** relationships between non-profit social service agencies and the governments that fund them, the consistency with which they were identified by the executive directors that took part in the ASDP survey and roundtables suggest that they are significant issues that reduce the effectiveness of Canada's system of social services.

Based on the feedback we received, the current relationship between the state and the non-profit social service sector is perhaps best described as adversarial and one-sided. The state tends to "call the shots" with little input from the non-profit sector; it determines the priorities, policies, contract parameters, and outcome measures. Non-profits are then expected to adapt to these top-down decisions. The result is a system that is rigid in terms of what it allows non-profits to do and unstable in terms of its short-term focus on "sexy new ideas." As a result, it fails to make use of the comparative advantages of non-profit social service agencies (e.g., awareness of local circumstances and flexibility). It also creates problems such as unclear or unrealistic expectations, and perpetuates an "us versus them" mentality. Until non-profit social service agencies are fully involved in the policy process, their relations with government will remain adversarial and less effective than they should be.

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IV. Policy Recommendations

1. Establish and Maintain Strong Two-Way Channels of Communication

Insufficient communication linkages between governments and the non-profits they fund are an underlying cause of the majority of the problems listed in Box 2. In many cases, the interchange between governments and non-profit agencies amounts to little more than government announcements and paperwork. This is simply not a substitute for meaningful two-way communication. A communication system needs to be put in place that allows the information non-profits have about their community, clients, and the specific services they deliver to reach government staff responsible for processing and ***acting on*** the information. A common complaint is that the government staff to which non-profits have access are powerless to act on what they hear. If non-profits are to be the eyes and ears on the ground in their communities, their knowledge and expertise must reach individuals in government that can inject the feedback into the policy process. Governments may choose not to act or they may be unable to, but at least their decisions will be informed by information flowing in from the front line of service delivery. It is also critical that the lines of communication remain open and clear during periods of government reorganization.

Improved communications will also enable non-profits to be more flexible. For example, if a non-profit agency wants to use a portion of its government funding for something other than what is specified in the contract, it has to be able to inform the government in question what

Box 2

Major Problems With Government Funding Arrangements Identified by Non-Profit Social Service Agencies

- rigid contract conditions (reduces flexibility)
- top-down command and control policy process (lack of non-profit input)
- unrealistic expectations (creates stress and results in poorly paid staff)
- tendency to fund "projects" rather than provide "core" funding ("no one wants to pay overhead costs")
- lack of funding for "infrastructure" (e.g., funding for volunteer coordinators)
- instability of the policy environment
- sense that governments exploit non-profits
- lack of trust (linked to rigid contract conditions and burdensome and/or inappropriate accountability measures)
- lack of respect ("they treat us like children")
- one-way communication (non-profits are unable to share their expertise and concerns in a meaningful way)
- fear that engaging in advocacy activities may cause their funding to be cut
- lack of understanding of/empathy for the needs of non-profit agencies
- breakdown/lack of personal relationships with government staff (creates confusion and the sense that no one in government cares)

For more information about these frustrations, see Susan McFarlane and Robert Roach, *Strings Attached: Non-Profits and Their Funding Relationships With Government*, Alternative Service Delivery Project Research Bulletin #4, September 1999. Copies are available from the Canada West Foundation and may be downloaded free-of-charge from our web site (www.cwf.ca).

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it wants to do and why. If the change makes sense, open lines of communication will help ensure that it is made and done so in a way that satisfies the state's legitimate interest in monitoring how public dollars are spent. It follows that improved communication must be accompanied by a willingness on the part of government to allow non-profits a degree of flexibility and a concerted effort on the part of non-profit agencies to clearly explain the rationale behind their requests.

2. Ensure Meaningful and Ongoing Non-Profit Input Into the Policy Process

Although improving two-way communication is extremely important, it is not the same as creating a formal role for non-profits in the public policy process. If governments partner with social service agencies because they have expertise to offer that the state does not, it makes sense that non-profits should be involved in the development of social policy and the programs that put it into practice. For this to happen, governments must be willing to relinquish some of their control over the process. Non-profit agency input cannot, moreover, be a one-time event; it has to be an ongoing component of the policy process.

3. Increase Mutual Understanding, Respect, and Trust

While it is fruitful that the state sector and non-profit sector remain distinct from another and continue to play complementary roles, the partnerships that exist between them would benefit if they better understood one another. Ideally, improved communications and more non-profit agency input into the policy process will help achieve this goal and, in turn, engender mutual respect and trust. Other measures that may facilitate this process include training programs for government and non-profit staff. The training programs would include an explanation of the different roles played by the two sectors and the constraints they face. Another suggestion would see government and non-profit staff "swap places" for a set period of time. However it is done, encouraging mutual understanding, respect, and trust will put the relationship on a better footing and reduce the friction that undermines the effectiveness of the existing system.

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4. Review Accountability Measures in Concert with Non-Profit Agencies

Governments are responsible for monitoring how public dollars are spent. This means that they are responsible for holding non-profit social service agencies that receive government funding accountable for how they spend the money. Survey and roundtable participants stressed that non-profit agencies want to be accountable, but that the measures chosen by governments are often inappropriate. Again, if non-profits are supposed to have expertise that the state does not, they should be involved in developing the procedures, setting the standards, and defining the outcome measures to which they are held accountable. This will reduce confusion and create a sense of common ownership of the accountability regime.

5. Review the Salaries and Benefits of Non-Profit Social Service Agency Staff

Many of the individuals we spoke with over the course of the Alternative Service Delivery Project reported that they feel non-profit social service agencies are exploited by the governments that fund them. In the words of one roundtable participant, "social services in this country have been built on the sacrifices of exploited staff." It was argued that, while helping people is a reward in itself, it does not compensate for low wages and a lack of benefits. As another participant notes, "it is hard to keep telling employees 'we do good work' – it rings hollow after a while." As a result, migration out of the social service sector to higher paying jobs is a problem. Given the importance of human capital to the delivery of social services, these concerns suggest the need for governments to take steps to ensure that the employees of the agencies they fund receive appropriate compensation.

6. Increase Investments in Non-Profit Sector Infrastructure

Because funders of non-profit social service agencies, including governments, tend to provide money for specific projects or services, the amount of money left over to invest in the infrastructure that supports the sector is limited. As a result, comparative advantages such volunteers, committed staff, and innovation are underutilized because agencies cannot afford to hire volunteer co-ordinators, provide staff with additional training, or purchase computers. Relatively small investments in infrastructure would go a long way toward improving the effectiveness of the non-profit social service sector.

7. Remove Explicit and Implicit Barriers to Advocacy

The role of non-profits extends beyond delivering services on the state's behalf. One aspect of this larger role is acting as an advocate for clients and/or social causes. Survey and roundtable participants reported that they are concerned that engaging in advocacy will cause their government funding to be reduced or eliminated: "How loud can you shout when they can yank your funding?" Governments may not wish to provide public dollars to pay for advocacy, but they should take steps to ensure that non-profits feel free to act as advocates (i.e., that they will not be in danger of losing their government funding if they speak out on an issue). Governments have a responsibility to help maintain a free society and this means they have to allow their non-profit partners to question the state and its policies.

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V. Conclusion

Why should governments act on these recommendations? The answer lies in the fact they all point to a serious gap between theory and practice. In theory, non-profits are an attractive alternative to state delivery because they possess unique qualities that give them a comparative advantage. In practice, these qualities are often underutilized. This gap reduces the effectiveness of the social service system and threatens the independence of the non-profit social service sector.

Perhaps the first step toward building better partnerships between the state and non-profit social service agencies is for governments to step back and carefully think through why they fund non-profits in the first place. If they are not funding non-profits to gain access to their unique qualities and comparative advantages, they should ask themselves why not. Either way, governments should clearly articulate what they hope to gain by funding non-profits and ensure that the policy environment is designed to realize these gains. This will allow governments to evaluate the health of the partnership and the degree to which the agencies they fund meet their expectations. ■

Endnotes

1. Also known as voluntary or third sector organizations, non-profits are defined in *The Social Work Dictionary* as organizations "established to fulfill some social purpose other than monetary reward to financial backers." Robert L. Barker, Third Edition, Washington, DC: National Association of Social Workers, 1996. The non-profit sector includes, for example, professional associations, arts groups, churches, research institutes, homeless shelters, and trade unions. The ASDP is concerned with the sub-set of non-profits that deliver social services, often called social service or social welfare agencies. For the purposes of this and other ASDP research bulletins, hospitals and universities are not considered social service agencies.

2. Social capital or social trust refers to "the ability of people to work together for common purposes in groups and organizations." Francis Fukuyama, *Trust: The Social Virtues and the Creation of Prosperity*, London: Penguin Books, 1995, p. 355.

3. As part of the Alternative Service Delivery Project, a survey of non-profit organizations was conducted in two social service areas (services for children and youth and services for women in crisis) and five provinces (B.C., Alberta, Saskatchewan, Manitoba, and Ontario). For a detailed account of the survey methodology see Susan McFarlane and Robert Roach, *Making a Difference: Volunteers and Non-Profits*, ASDP Research Bulletin #2, Calgary: Canada West Foundation, 1999. Copies are available from the Canada West Foundation or may be downloaded from the Foundation's web site (www.cwf.ca). Additional information was gathered through a series of roundtables held in Vancouver, Victoria, Calgary, Edmonton, Regina, Winnipeg, and Toronto in late 1999 and early 2000. A random sample of local non-profit social service agencies was sent invitations to attend the roundtables.

The Canada West Foundation is an independent, non-partisan, non-profit public policy research institute dedicated to introducing western perspectives into current Canadian policy debates through:

(1) the production and dissemination of objective research to serve as a catalyst for informed debate and

(2) initiatives for active citizen education and engagement in the Canadian public policy process.

Alternative Service Delivery Project Publications

Susan McFarlane and Robert Roach, *Introduction to the Project and Recent Policy Trends*, ASDP Research Bulletin #1, December 1998.

John Hiemstra, *Government Relations With Religious Non-Profit Social Agencies in Alberta: Public Accountability in a Pluralist Society*, January 1999.

Susan McFarlane and Robert Roach, *Making a Difference: Volunteers and Non-Profits*, ASDP Research Bulletin #2, March 1999.

Susan McFarlane and Robert Roach, *Great Expectations: The Ideal Characteristics of Non-Profits*, ASDP Research Bulletin #3, June 1999.

Shannon Orr, *The Canadian Social Service Policy Landscape: A Roadmap of Recent Initiatives*, August 1999.

Shannon Orr, *Exploring Alternatives: Government Social Service Policy and Non-Profit Organizations*, August 1999.

Susan McFarlane and Robert Roach, *Strings Attached: Non-Profits and Their Funding Relationships With Government*, September 1999.

Copies are available from the Canada West Foundation (www.cwf.ca).